

CABINET MEETING: 16 JULY 2020

OUTTURN 2019/20

**FINANCE, MODERNISATION & PERFORMANCE (COUNCILLOR
CHRIS WEAVER)**

AGENDA ITEM: 4

Reason for this Report

1. This report serves to inform the Cabinet of the Council's financial position in respect of the year ending 31 March 2020.

Background

2. The report compares the outturn for the financial year ending 31 March 2020 with the budget for the year, for both revenue and capital expenditure. The report also provides a summary Treasury Management Statement in respect of investments and borrowing. All figures are subject to external audit.
3. It should be noted that since the finalisation of the outturn position, the financial impact arising from the Council's response to the COVID 19 crisis has emerged. The figures contained within this report are largely unaffected by the crisis, due to the full lockdown not being implemented until close to the end of the financial year. However, within certain directorates additional expenditure will have been incurred and losses of income experienced. Certain assumptions have been made regarding the extent to which these costs and income losses can be recovered via the Welsh Government Hardship Fund for local authorities and these assumptions are reflected within the figures and directorate positions reported, where relevant. Work is ongoing to establish the full financial impact of the crisis, both short and medium term, and this has, and will be, reported to Cabinet and Council via other reports.
4. A balanced revenue position for 2019/20 has been delivered, reflecting the fact that the Council has maintained its spending within its overall net budget of £623.589 million in 2019/20, after contributions to and from earmarked reserves. Favourable variances within the Summary Revenue Account (SRA), including additional grant income in relation to teachers' pensions and in-year savings against the Council Tax Reduction Scheme (CTRS) contingency budget, have offset a net directorate overspend and enabled contributions to be made to a number of reserves. These contributions to reserves will support the financial resilience of the Council in the medium

term and include allocations to the Strategic Budget Reserve and the Employee Changes Reserve.

5. During the year, the Council's monitoring process identified financial pressures in a number of directorates, most notably Social Services and Planning, Transport & Environment. This reflected a range of factors including increased demographic and cost pressures, shortfalls in income and the failure to fully achieve the savings targets set as part of the 2019/20 budget. This is reflected in the overall directorate outturn position which shows an overspend of £8.629 million, an increase of £489,000 compared to the monitoring position reported at Month 9. The overall position on directorate budgets includes overspends of £4.514 million in Social Services and £3.325 million in Planning, Transport & Environment. Overspends were also recorded in other directorates, such as Education & Lifelong Learning and Governance & Legal Services, although they were partly offset by underspends within Housing & Communities and Performance & Partnerships. The directorate overspends were also partially offset by the £3.000 million general contingency budget which was maintained as part of the 2019/20 budget in order to reflect the quantum, risk and planning status of the proposed savings in 2019/20. The overall position also includes an overspend of £21,000 on Discretionary Rate Relief. Both this, and the directorate overspends, were offset by savings in other areas including Council Tax collection, Capital Financing and the Summary Revenue Account.

Issues

6. An overall summary of the position shows:
 - As set out in paragraph 4, a balanced position has been achieved in 2019/20, following transfers to earmarked reserves.
 - Overall, schools increased their individual reserves by £158,000 (net). In addition, the deficit position in respect of the Mutual Supply Fund, which offsets school balances, has reduced by £297,000 to £499,000. When this is taken into account, the overall net increase in school balances is £455,000.
 - The Housing Revenue Account (HRA) showed a balanced position. As a consequence, the balance on the HRA Revenue Balance remains unchanged and is available for spending on HRA related issues only.
 - The Council spent £164.417 million on capital expenditure compared to a budget of £224.740 million, which primarily relates to slippage of schemes in to 2020/21.

Revenue

7. Appendix 1 shows the financial summary for the year, while Appendix 2 provides further details in respect of variations against budget by directorates.

8. The final position in relation to achievement against 2019/20 savings targets is set out in Appendix 3 to this report. This appendix reflects an overall shortfall of £8.194 million against the £19.157 million directorate savings targets for 2019/20. Compared to the position at Month 9, this represents an increased shortfall of £1.751 million against the 2019/20 savings targets. The shortfalls are reflected in the directorate monitoring positions, although, where possible, they have been offset by savings against other budget headings. The £3.0 million General Contingency Budget, which was allocated to reflect the risk and planning status of the proposed savings in 2019/20, also partly offsets these shortfalls.
9. The overall level of unachieved savings presents a significant challenge going forward, particularly given the requirement to achieve further savings in 2020/21 and in future years. Whilst some of these savings have been impacted by delays, and will therefore be achieved during 2020/21, there is a likelihood that some will remain unachievable. However, as part of the 2020/21 budget process, a number of significant budgetary realignments were implemented, with the aim of eradicating some structural budget challenges within particular directorates. Therefore, it is anticipated that whilst there will still be a requirement to deliver against some of these unachieved savings proposals, the overall level of unachieved savings carried forward into 2020/21 will be lower than the total shortfall recorded in 2019/20.
10. The Summary Revenue Account (SRA) consolidates the overall revenue position for the Council and includes various adjustments to the Council's accounts. These adjustments include the revenue impact of changes to the Council's bad debt provisions, the revenue effect of balance sheet adjustments and any prior year revenue items that have impacted on the overall revenue position of the Council. It also consolidates the final position in relation to contingency budgets and any adjustments, commitments and transfers to and from earmarked reserves and provisions arising from these. Favourable variances within the SRA, including previously reported items such as the release of £2.967 million of base budget following the receipt of additional grant funding in relation to teachers' pensions, have enabled a number of contributions to be made to earmarked reserves. These contributions will continue to support and enhance the financial resilience of the Council over the medium term.
11. The transfers to earmarked reserves, facilitated by the favourable SRA position, include £2.798 million to the Employee Changes Reserve to assist the Council in managing financial resilience and the impact of budgetary challenges over the medium term period, such as pay awards. In addition, £853,000 has been transferred to the Strategic Budget Reserve, again in conjunction with improving financial resilience going forward, particularly in light of the current COVID 19 crisis. Other notable contributions include £754,000 to the School Formula Funding Reserve, which was facilitated by the receipt of additional grant funding in relation to teachers' pay. Furthermore, £350,000 was transferred to the City Wide Management & Initiatives Reserve in connection with bus routes, reflecting a two-year commitment made in the 2019/20 budget. Contributions to provisions were also reflected in the SRA, the most significant of which was a contribution

of £681,000 to the Council's Bad Debt Provision. Other notable transactions within the SRA include a previously reported £586,000 VAT refund, in relation to a successful appeal for a cultural exemption in connection with Cardiff Castle. An overall underspend against insurance budgets, amounting to £780,000, is also reflected within the SRA.

12. In total, the redundancy costs incurred during the year amounted to £2.64 million. This included £1.106 million in respect of school-based staff, £184,000 which was funded via the Housing Revenue Account and £88,000 funded by grant income. In line with the Code of Practice on Local Authority Accounting, these figures include provision in the 2019/20 accounts for payments relating to redundancy costs that will be paid in 2020/21 as a result of budget savings agreed in 2019/20. In line with the planned funding model, £463,547 was transferred from the Employee Changes Reserve to the voluntary redundancy budget in order to fund the increased level of costs in 2019/20. This reserve is held in order to support staff costs associated with organisational change including the future impact of voluntary redundancy on the Council's budget. In addition, pension costs charged to the Council in respect of the Local Government Pension Scheme arising as a result of voluntary redundancy in 2019/20 totalled £1.981million. These will be initially funded via the Pension Fund and will be repaid to the fund over a five-year period.
13. A surplus of £3.810 million was reported in relation to Council Tax collection, representing a significant increase compared to the £121,000 surplus position projected at Month 9. The surplus is mainly due to a lower than budgeted contribution to the Council Tax Bad Debt Provision, as compared with the assumptions reflected in the Council Tax Base Report approved in December 2018. The reason for this variation is due to a change in approach to calculating the bad debt provision, to ensure that the calculation reflects anticipated collection rates. The overall surplus represents a variance of less than 1.5% of the estimated gross debit. The Council's budget also includes an amount of £400,000 to support requests for discretionary rate relief. In 2019/20 this showed an overspend of £21,000, reflecting an increase in the level of demand for such relief.
14. School balances currently stand at £5.317 million surplus, which is a total increase in balances of £455,000 compared to 2018/19. This overall balance contains a net deficit balance totalling £499,000 in relation to the Mutual Supply Fund (MSF). This figure represents the cumulative MSF liability incurred over a number of financial years, which has reduced further this year following the implementation of a second clawback against schools within the fund. This deficit balance has been offset against overall net school balances pending further recovery during 2020/21. Excluding the MSF liability from the net balances means that individual school balances total £5.816 million and have increased by £158,000.
15. The table below sets out the balances held by individual schools as at 31 March 2020 –

2019/20	£m	% of Delegated Budget
Primary	4.704	3.65
Secondary	0.607	0.55
Special	0.505	3.66
Total – Individual Schools	5.816	2.30

16. Despite the overall increase in the aggregate level of balances held, the individual school picture shows a mixed trend, with 58% of the schools across the phases reducing their balances and 42% increasing their balances. The number of primary schools holding balances in excess of the School Funding (Wales) Regulations guideline of £50,000 has reduced from 46 to 45, whilst seven secondary / special schools hold balances in excess of the recommended level of £100,000. During 2019/20, the Council directed a number of schools to spend their balances, where their school balance had exceeded local thresholds for at least three consecutive years. This action may partly explain the overall reduction in the level of balances. In addition, the Council directed a number of schools to use their balances in 2018/19 and will consider clawing back the remaining excess surplus during 2020/21, for those schools that still hold a balance in excess of locally agreed thresholds. Going forward, the Council will continue to review individual school balances that are in excess of the Welsh Government recommended limits, and locally agreed thresholds, and consider if there is a need for further directions to spend or to claim back any excess surplus.
17. It should be noted that there are 18 schools in Cardiff with negative balances amounting to £1.539 million. This represents an increase compared to the 12 schools that were in deficit at the end of the 2018/19 financial year, although a number of these deficits are very small. Also, the total level of deficit has decreased. The schools with more significant and longstanding deficits have financial recovery plans agreed with the Council. Of the total deficit figure, the majority relates to four schools in the secondary sector. However, some significant reductions in individual deficits were achieved in 2019/20 and work will continue in partnership with the individual school governing bodies to ensure that these deficits are managed downwards over a period of time.
18. In line with standard accounting practice, a number of budgeted and anticipated contributions to and from reserves have been reflected in the 2019/20 accounts. The overall position, excluding school balances and the Housing Revenue Account, reflects a net increase of £510,000. Significant net contributions to earmarked reserves include £4.725 million to the Treasury Management Reserve to assist the Council with strengthening financial resilience and mitigating risks in respect of capital expenditure and treasury management activities. Other significant net contributions include £2.239 million to the Employee Changes Reserves, which will assist with financial resilience over the medium term, and £1.532 million to the Red Dragon Centre Reserve, which will be held in line with the financial model for the indoor arena scheme. It should be noted that two new earmarked reserves were created during 2019/20. These were the aforementioned Treasury Management and Red Dragon Centre reserves.

19. Significant net drawdowns from reserves include £1.647 million from the Strategic Budget Reserve, which is primarily due to a budgeted contribution of £2.5 million, agreed as part of the Council's overall budget for 2019/20, offset by the £853,000 outlined in paragraph 11. Other significant net drawdowns include £1.301 million from the Cardiff Enterprise Zone Reserve, £1.073 million from the Welfare Reform Reserve and £732,000 from the School Organisation Plan Reserve.
20. Following transfers to earmarked reserves and provisions the revenue outturn shows a balanced position. The table below sets out the movement in the accounts that make up that figure.

	£000
Net service position – Deficit	8,629
Contingency	(3,000)
Capital Financing	(447)
Summary Revenue Account	(1,393)
Discretionary Relief	21
Council Tax collected in excess of budget	(3,810)
Net Revenue outturn – Balanced Position	0

21. A balanced position is reported in relation to the net revenue outturn for 2019/20 and, therefore, there is no consequential impact on the Council Fund Balance. The balance at 31 March 2020, therefore, remains in line with the previous financial year and stands at £14.255 million.
22. The Section 151 Officer has reviewed the Council Fund Balance and considers the balance prudent given the unbudgeted risks that the Council faces, however that position will be reviewed throughout 2020/21, in light of the COVID 19 crisis, and as part of the 2021/22 budget preparation. The financial risks facing the Council were set out in the 2020/21 Budget Report.

Civil Parking Enforcement

23. Civil Parking Enforcement (CPE) manages parking, parking enforcement and moving traffic offences throughout the city. The income from these activities is used to support the operational costs and enforcement service. Any surplus or deficit is transferred to the Parking Reserve.
24. The following table provides a summary of the budget and outturn position.

2018/19 Outturn £000		2019/20 Budget £000	2019/20 Outturn £000	2019/20 Variance £000
5,059	On street car parking fees	5,266	5,024	(242)
1,088	Off street car parking fees	1,426	1,186	(240)
368	Residents parking permits	355	386	31
2,385	Penalty charge notices	2,300	2,229	(71)

5,039	Moving Traffic Offences (MTO's)	4,254	5,082	828
290	Camera Car	389	366	(23)
212	Traffic Enforcement Centre (TEC)	200	200	0
7	Other income	0	14	14
14,448	Total Income	14,190	14,487	297
913	TRO, operational costs, parking a/c	845	659	(186)
5,843	Enforcement service	6,118	6,064	(54)
6,756	Total Expenditure	6,963	6,723	(240)
7,692	CPE Net Surplus/(Deficit)	7,227	7,764	537

25. The position for 2019/20 showed a net trading surplus of £7.764 million. This was £537,000 above the original target reflecting significant increased income from Moving Traffic Offences (MTOs) following the introduction of further phases. Income from off-street car parking fees was lower due to a delay in introducing the proposed revised tariffs and stay limits in the district car parks and the wider impact of the February storms and, in particular, COVID-19 affected off-street parking fees.
26. Total income generated was £14.487 million. This included £5.024 million from on-street and £1.186 million from off-street parking fees with a further £386,000 from Residents Parking Permits. Enforcement generated £2.229 million from Penalty Charge Notices, £5.082 million from MTOs, £366,000 from the Camera Car and a further £200,000 from the successful recovery of unpaid fines by the Traffic Enforcement Centre (TEC). A further £14,000 was generated from various activities.
27. Total expenditure was £6.723 million and was £240,000 below budget. This reflected a reduction in the loan repayment in respect of set-up costs associated with the MTOs and the funding of replacement equipment repayments to preserve the balance in the Parking reserve.

Parking Reserve

28. Section 55 of the Road Traffic Regulations Act 1984 governs the use of the reserve. This specifies that the surplus may be used to fund operational costs including subsidising the enforcement service, supporting public passenger transport services, transport planning and road safety, maintaining off-street car parks and highway and environmental maintenance and improvements.
29. The following table illustrates the movements in the Parking Reserve and the balance carried forward.

2018/19 £000		2019/20 £000
701	Parking Reserve Opening Balance	1,491
7,692	Contributions from CPE	7,764
8,393		9,255
	Contributions to revenue:	
5,085	Budgeted contribution	5,385
416	Active travel	719
344	Highway improvements	246
870	Additional drawdown to support schemes	300
163	Clean air and environmental improvements	444
24	Provision of public transport	46
6,902	Total Contributions to revenue	7,140
1,491	Parking Reserve Balance	2,115

30. When the 2018/19 trading surplus of £7.694 million is applied to the brought forward figure of £1.491 million the balance in the Parking Reserve is increased to £9.255 million. Eligible expenditure totalling £7.140 million was drawn down from the reserve leaving a balance of £2.115 million at the 31 March 2020.
31. The drawdown included a budgeted sum of £5.385 million to support a range of Council services including ongoing support and improvements to transport, parking, highways and environmental services. It also included regular funding of £719,000 for the promotion of Active Travel initiatives including assessment of the transportation impact on the Local Development Plan, providing bus corridor improvements and supporting increased cycling in the city. It funded highways improvements of £246,000, including residential parking and delivering sustainable access to schools. Further funding of £300,000 supported a range of highway and transport related schemes. Funding of £444,000 supported a range of clean air and environmental improvements as well as funding staff resources to address public spaces protection orders and developing the conversion to electric vehicles. A further £46,000 supported public transport improvements.

Housing Revenue Account

32. The Housing Revenue Account (HRA) shows a balanced position; a £510,000 improvement on the position reported at Month 9, with movements across budget headings. The overall position as set out in Appendix 4 includes a number of variances.
33. A £390,000 underspend on capital charges is due to lower than budgeted capital financing costs. Some delays to the capital programme were experienced in the final weeks of the year as a result of COVID 19. The Housing Repairs Account shows an overspend position of £373,000, mainly in relation to void property repairs, offset by underspends on general responsive repairs. An unbudgeted contribution to the Housing Repairs and

Building Maintenance Services earmarked reserve of £384,000 is also included within the position.

34. Other variances within the HRA include a £172,000 overspend in relation to the contribution to the Bad Debt Provision based on end of years arrears and write-off levels and a £108,000 overspend in relation to support services. A £184,000 supplies and services underspend includes insurance and IT cost savings. Other general underspends include £97,000 on other premises costs, £51,000 on employee costs and £46,000 on transport costs.
35. A net surplus of £269,000 was also reported in relation to income. Whilst rent and service charges were £997,000 below budget, this deficit was offset by additional grant funding of £249,000 from the Supporting People Grant and £968,000 Affordable Housing Grant income above budget with a further £49,000 other additional income.

Cardiff Harbour Authority

36. Welsh Government support for Cardiff Harbour Authority has been subject to three-year funding agreements, the last of which finished in March 2017. The Welsh Government advised that they would like an opportunity to review arrangements and wished to extend the previous business period by twelve months, up until 31st March 2018. Due to the delay in undertaking the review, single year budgets of £5.400 million for 2018/19 and £5.223 million for 2019/20 were agreed between the two parties. The budget for 2019/20 represented a reduction of £177,000 or 3.3% on 2018/19.
37. Due to a potential underspend on dredging, £260,000 of budget was moved in-year from fixed costs to asset renewal, as agreed with the Welsh Government in November 2019. Subsequently, as a result of damages incurred during Storm Dennis in February 2020, an additional asset renewal allocation of £102,500 was agreed for specific schemes.
38. The outturn position reflects an annual draw down of £5.276 million, resulting in a variance of £50,000.

Budget Category	Budget £'000	Outturn £'000	Variance £'000
Expenditure	5,811	5,703	(108)
Income	(993)	(906)	87
Fixed Costs	4,818	4,797	(21)
Asset Renewal	508	479	29
Total	5,326	5,276	(50)

39. The Fixed Cost budget showed an underspend of £21,000, which included reductions in facilities management costs and overheads, although these were offset by an increase on litter collection & waste disposal and a reduction in car parking income. The under spend of £29,000 against the Asset Renewal budget reflects partial completion of the lock panel works.

40. In accordance with the Agreement, any underspend against the Fixed Cost budget is to be shared equally between both organisations. However, it was agreed that, for 2019-20, the full underspend on fixed costs of £21,000 could be allocated to the Project & Contingency Fund, which is used to support projects and provides a contingency if the approved budget is exceeded. The Fund receives contributions from a combination of receipts from the sale and disposal of land and a share of past year underspends on the Fixed Cost budget. The balance at 1 April 2019 was £42,000 and this has increased by £21,000 as detailed above. This leaves a net balance at 31 March 2020 of £63,000 and this is in line with the amendments to the Deed of Variation, as agreed in April 2019.

Capital Outturn 2019/20

41. Expenditure of £164.417 million was incurred across a range of services with £41.521 million of this in relation to Public Housing (HRA).
42. The delivery of capital projects is complex and influenced by a number of external and internal factors. Whilst some slippage is unavoidable as a result of the receipt of external grants later in the year, directorates are regularly reminded of the need to set achievable expenditure profiles and to identify potential slippage of projects at an early stage.
43. The paragraphs below summarise the outturn position of the Capital Programme for both the General Fund and Public Housing, with further detail on schemes to be provided in Appendices 5 and 6.

General Fund Expenditure and Funding

44. Expenditure was £122.896 million, with a variance of £54.459 million against the approved programme. This is represented by a net overspend of £2.403 together with slippage of £56.862 million. The main areas of slippage are highlighted in Appendix 5 and in many cases are due to the receipt of late external grant awards in 2019/20 displacing the Council's own funding which is to be used in later years. The main items of expenditure during the year are set out in the table below:

Schemes	Detail	£m
Community and Neighbourhood Regeneration	Disabled adaptation grants, allowing people to live independently in their homes; environmental improvements; community hubs; land for travellers site expansion; domestic abuse multi agency hub; and completion of a regeneration scheme for Maelfa Centre in Llanedeyrn.	8.9
Education & Lifelong Learning	Completion of the Band A Investment Programme and development of Band B; investment in the condition and suitability of school buildings; schemes for Welsh medium expansion; reducing infant class sizes and Schools ICT.	17.2
Highways & Transportation	Road and footpath reconstruction and resurfacing; public transport and road safety improvements; cycling strategy implementation and expansion of cycle hire and moving traffic offences schemes; investment in	16.4

Schemes	Detail	£m
	active travel and safe routes in communities; design works for city centre air quality measures.	
Leisure Facilities & Parks	Investment in leisure sites retained by the Council as well as sites operated by GLL; athletics track and parks play equipment replacement; Roath Park House refurbishment, Parc Cefn Onn and other infrastructure improvements.	2.7
Acquisition of Red Dragon Centre in Cardiff Bay	Purchase to support a business case for the development of a new arena for the city.	58.4
Solar Farm	Development of a solar farm at former landfill site	5.0
Capital Cardiff Region - City Deal	Grant from Cardiff Council towards development of a Housing Viability Gap Fund for the region.	5.0
Other	Modernising ICT to improve business process; harbour asset renewal; Waste Recycling and collection improvements; Thornhill Crematorium improvements; creation of new burial site; property asset renewal works including enhancement to former Virgin Active site at Ocean Park.	9.3
Total		122.9

45. The expenditure was funded from a number of sources as shown in the table below and included external grants and contributions, proceeds from the sale of assets and by borrowing. Borrowing and any associated interest costs must ultimately be repaid from the existing and future income of the Council.

General Fund - Funding Source for 2019/20 Capital Expenditure	Amount £000	Percentage of Funding (%)
WG General Capital Supported Borrowing	8,566	6.97
WG General Capital Grant	8,106	6.60
WG and other external grants	31,587	25.70
Additional Unsupported Borrowing	2,351	1.91
Invest to Save Unsupported Borrowing	67,124	54.62
Revenue & Reserves	735	0.60
Capital Receipts	3,163	2.57
External Contributions	1,264	1.03
Total	122,896	100.00

46. The Council received a base allocation of General Capital Funding from Welsh Government of £16.672 million in 2019/20. This was made up of capital financing support within the revenue budget settlement to undertake £8.566 million of supported borrowing and a cash grant of £8.106 million.
47. In addition to the above, the Council has undertaken unsupported borrowing which has to be fully met through the revenue budget in future years. In 2019/20, the Council used unsupported borrowing of £69.475 million to support General Fund expenditure. Of this, £2.351 million of borrowing was required to balance Capital Programme commitments and £67.124 million

was for 'Invest to Save' borrowing, repayable from Directorate revenue budgets. The latter includes 21st Century School building investment, the acquisition of the Red Dragon Centre as well as other schemes predicated on receiving income or making savings such installation of solar panels on the former Lamby Way landfill site. The timing and availability of external grants remained uncertain, with some approvals received late during the year, making long term planning difficult.

General Fund Capital Receipts

48. The Capital Programme approved by Council in February 2018 set a target for non earmarked General Fund Capital receipts of £40 million after making a deduction for eligible revenue costs of disposal. £5.5 million was received in 2018/19 primarily from the disposal of the former Howard Gardens Bowling green site and an estimate of £3 million was assumed receivable when setting the budget for 2019/20. The cash receipts received during 2019/20 and available towards this target are shown in the following table:

	£000
General Fund – Non Earmarked	
8 Library Street	277
Cae Glas Retail Parade	322
Land adjacent to 26 Heol Urban	120
Other sales of land / release of covenants	293
Total	1,012

49. During the year, sites with a net value of £2.626 million were also appropriated to the Housing Revenue Account for the development of Council housing. This included land at Sanatorium Road and the sites of the former household waste recycling centre on Waungron Road, Star Centre, and Llanrumney High School, most of which have previously been committed towards specific capital projects. The planned appropriation of the Michaelston High School site was been delayed to 2020/21.
50. Of the appropriations in 2019/20, £375,000 is available in addition to the £1.012 million above towards the General Fund target. This is lower than £3 million assumed for this year, with timing of completion difficult to predict. This makes a total of £6.887 million received since 2018/19 against the overall receipts target set in 2018/19.
51. Other significant earmarked capital receipts received from the sale of land and buildings are in relation to investment property and currently proposed to be ring-fenced and used for reinvestment as part of the Investment Property Strategy approved by Cabinet.

	£000
General Fund - Earmarked for Specific Capital Schemes	
Land at Callaghan Square	3,047
3-4 Wharton Street	1,152
Boston Buildings	542
Unit 10 Lamby Way	240
Land north of Vere Street	96
Total	5,077

52. Updates on the property strategy, disposals and the plan to ensure the target for receipts is achieved, will be included in the Annual Property Plan for 2020/21 to be considered by Cabinet.

Public Housing (HRA) Expenditure and Funding

53. Expenditure in 2019/20 on Public Housing schemes was £41.521 million. Investment was made in estate regeneration, housing stock remodelling, addressing high rise cladding, the fabric of dwellings, disabled adaptations and in the development of new Council Housing as well as acquisition of existing housing to meet new build targets.

54. The table below shows how capital expenditure was paid for:-

Public Housing - Funding Source for 2019/20 Capital Expenditure	Amount £000	Percentage of Funding (%)
Major Repairs Allowance (WG grant)	9,500	22.89
Additional Unsupported Borrowing	21,169	50.98
WG and other external grants	1,589	3.83
Revenue & Reserves	6,400	15.41
Capital Receipts	2,335	5.62
External Contributions	528	1.27
Total	41,521	100.00

Public Housing Capital Receipts

55. Capital Receipts of £0.370 million were generated from the sale of Council dwellings still eligible under the now ceased Right to Buy scheme. A further £1.378 million has been generated from the sale of various freeholds, retained equity held from previous Council and developer home ownership support schemes as well as share of land sale proceeds from the Cardiff Living scheme.

Treasury Management

56. The Council's Treasury Management activities were undertaken in accordance with the strategy approved at Council in February 2019. During the year, periodic reports on Treasury Management were submitted and reviewed by the Council's Audit Committee as well as at Cabinet and Council meetings.

Investments

57. At 31 March 2020, investments arising from temporary cash balances stood at £127.6 million. The balance of investments is at a point in time and will fluctuate daily depending on the timing of receipts and payments in the Council's bank account e.g. payments to suppliers, receipt of grants and capital receipts. The organisations with whom the Council invests were set out in the Council's Investment Strategy for 2019/20 and where possible, investments were diversified across organisations.

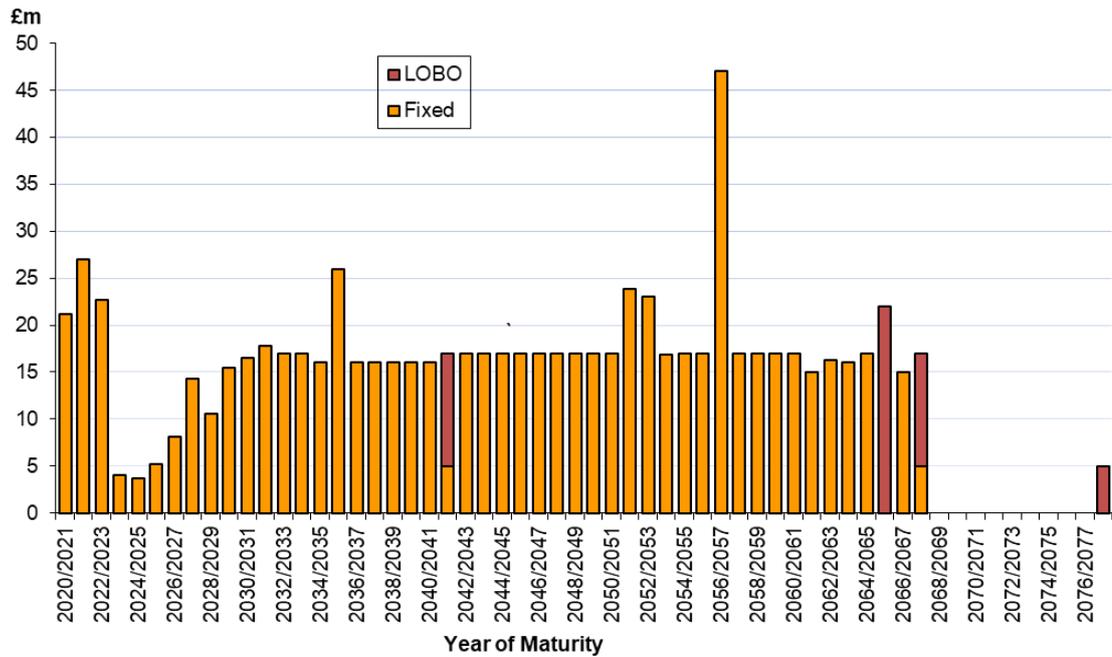
58. The overall level of interest receivable from treasury investments after allowing for interest on balances held on behalf of others totalled £725,000 with the average rate achieved for during 2019/20 being 0.85%, which compares favourably against the 7 day LIBID rate of 0.53% and the 3 Month LIBID rate of 0.63%.

Borrowing

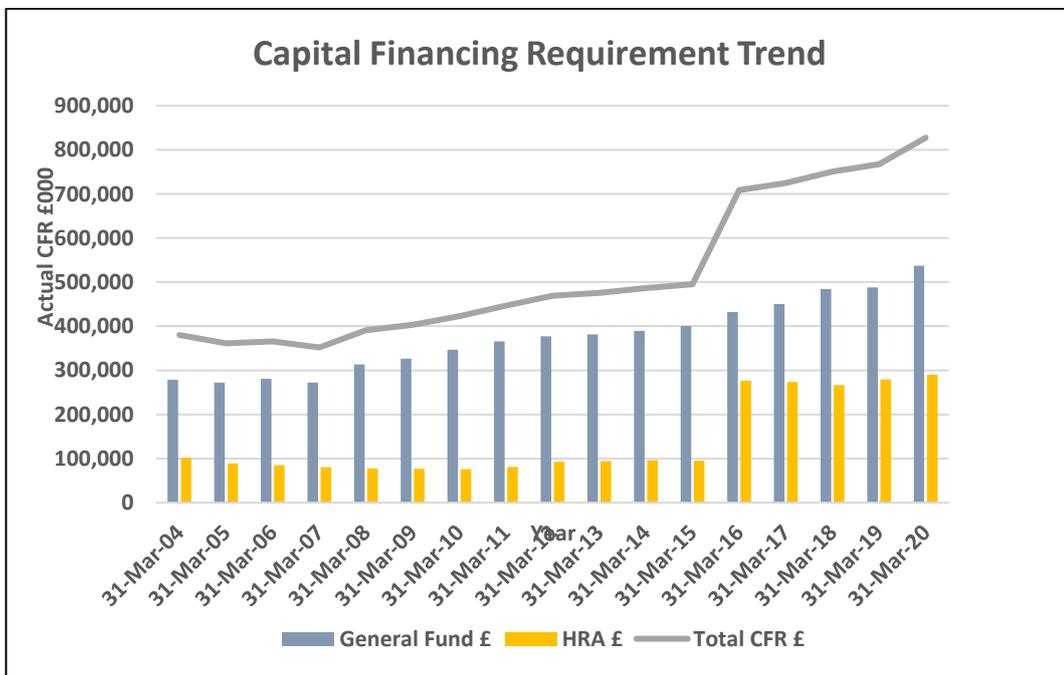
59. At the 31 March 2019 the Council's total external borrowing was £722 million. This was predominantly made up of fixed interest rate borrowing from the Public Works Loan Board (PWLB) payable on maturity.

31 March 2019			31 March 2020	
£m	Rate (%)		£m	Rate (%)
660.9		Public Works Loan Board	698.9	
51.0		Market (Lender Option Borrower Option)	51.0	
4.5		Welsh Government	16.1	
0.0		Local Authority	58.3	
5.5		Other	4.5	
721.9	4.53	Total External Debt	828.8	4.11

60. The average rate on the Council's borrowing reduced during the year, from 4.53% to 4.11% as a result of additional external borrowing during the year at a lower rate. Total interest payable was £32.769 million, of which £12.274 million was charged to the Housing Revenue Account (HRA). All borrowing is in the name of the Council and a single pool of debt is maintained rather than having separate loans for the HRA.
61. The maturity profile of borrowing at 31 March 2020 is shown in the following chart.



62. The Council's Capital Financing Requirement (CFR) i.e. capital expenditure incurred but not yet paid for is estimated £827 million at 31 March 2020, £537 million for the General Fund and £290 million for the Housing Revenue Account. The trend in the CFR since 2004 is shown in the following chart, with the increase in 2015/16 including the subsidy exit payment of £187 million made by the Housing Revenue Account.



63. Whilst borrowing rates remained higher than investment rates in 2019/20, the Council was internally borrowed which involves using temporary cash balances in the short term rather than undertaking external borrowing. In addition to the short term financial benefits, this reduced exposure to credit

risk. During 2019/20 the Council repaid £4.206 million of maturing loans. New external loans were undertaken as follows:

- Short term borrowing of £58.250 million to pay for expenditure on the acquisition of the Red Dragon Centre. Borrowing is generally not taken specifically for assets, but until a long term strategy is in place for this site, borrowing was undertaken to try and match known short term cash flows, where possible in this case over a one to three year period. Refinancing will need to be considered as certainty in respect of the site and linked arena proposals are developed
- PWLB borrowing of £40 million was undertaken during the year, with the Majority at the end of March. This was to reduce the internal borrowing requirement by locking into reduced long term rates given current uncertainty in financial markets; to strengthen liquidity of the Council particularly around concerns in relation to the COVID 19 position and also to utilise the recent reduction in PWLB rates towards HRA capital expenditure.
- A loan of £10 million received from Welsh Government for the proposed Housing SME fund of the Cardiff Capital Region City Deal. The Council in this case agreed to be the recipient of the repayable loan, subject to the development of final proposals for how the fund would operate and also the Council's liability would be mitigated. Subject to the outcome of this the Council retains the option to return this loan. A further £2.810 million of repayable Town Centre regeneration funding was also received in the year from Welsh Government.

64. Subject to audit, the outcome of the above transactions, coupled with the performance of expenditure during the year on capital programme, the Council's total external borrowing (£828 million) is in line with the borrowing requirement as defined by the Capital Refinancing Requirement (£827 million) at 31 March 2020.

Reasons for Recommendations

65. The report is for information and serves to complete the financial monitoring processes for 2019/20.

Legal Implications

66. The report is submitted for information as part of the Authority's financial monitoring process. The Council's constitution provides that it is a Council responsibility to set the budget and policy framework and to approve any changes thereto or departures there from. It is a Cabinet responsibility to receive financial forecasts including the medium term financial strategy and the monitoring of financial information and indicators.

Generic advice

67. In considering the matters set out in this report regard should be had, amongst other things, to:

- (a) The Welsh Language (Wales) Measure 2011 and the Welsh Language Standards,
- (b) Public sector duties under the Equalities Act 2010 (including specific Welsh public sector duties). Pursuant to these legal duties Councils must in making decisions have due regard to the need to (1) eliminate unlawful discrimination, (2) advance equality of opportunity and (3) foster good relations on the basis of protected characteristics. Protected characteristics are : a. Age; b. Gender reassignment; c. Sex; d. Race – including ethnic or national origin, colour or nationality; e. Disability; f. Pregnancy and maternity; g. Marriage and civil partnership; h. Sexual orientation; i. Religion or belief – including lack of belief, and
- (c) The Well - Being of Future Generations (Wales) Act 2015

Well Being of Future Generations (Wales) Act 2015

- 68. The Well-Being of Future Generations (Wales) Act 2015 ('the Act') places a 'well-being duty' on public bodies aimed at achieving 7 national well-being goals for Wales - a Wales that is prosperous, resilient, healthier, more equal, has cohesive communities, a vibrant culture and thriving Welsh language, and is globally responsible.
- 69. In discharging its duties under the Act, the Council has set and published well-being objectives designed to maximise its contribution to achieving the national well - being goals. The well - being objectives are set out in Cardiff's Corporate Plan 2019-22:<http://cmsprd.cardiff.gov.uk/ENG/Your-Council/Strategies-plans-and-policies/Corporate-Plan/Documents/Corporate%20Plan%202018-21.pdf>
- 70. When exercising its functions, the Council is required to take all reasonable steps to meet its well-being objectives. This means that the decision makers should consider how any proposed decision will contribute towards meeting the well-being objectives and must be satisfied that all reasonable steps have been taken to meet those objectives.
- 71. The well-being duty also requires the Council to act in accordance with a 'sustainable development principle'. This principle requires the Council to act in a way which seeks to ensure that the needs of the present are met without compromising the ability of future generations to meet their own needs. Put simply, this means that Council decision makers must take account of the impact of their decisions on people living their lives in Wales in the future. In doing so, the Council must:
 - Look to the long term
 - Focus on prevention by understanding the root causes of problems
 - Deliver an integrated approach to achieving the 7 national well-being goals
 - Work in collaboration with others to find shared sustainable solutions

- Involve people from all sections of the community in the decisions which affect them
72. In regards to any decision going forward, the decision makers must be satisfied that any proposed decision accords with the principles above; and due regard must be given to the Statutory Guidance issued by the Welsh Ministers, which is accessible using the link below: <http://gov.wales/topics/people-and-communities/people/future-generations-act/statutory-guidance/?lang=en>

Financial Implications

73. The final revenue outturn position indicates that the Council has maintained its spending within its overall net budget of £623.589 million in 2019/20, with a balanced position reported after contributions to and from reserves. This is in line with the overall position reported at Month 9. However, contained within this balanced budget position are significant overspends for the Social Services and Planning, Transport & Environment directorates, in particular. Whilst a number of significant budgetary realignments were undertaken as part of the 2020/21 budget, with the aim of eradicating structural issues within certain directorate budgets, including historically unachieved savings targets, there remains a risk that overspends may emerge in 2020/21. It is, therefore, of critical importance that directorates demonstrate strict financial control in order to avoid future overspends wherever possible. The importance of this has heightened even further in light of the ongoing COVID 19 crisis and associated financial challenges being experienced by the Council.
74. Overall, excluding school balances and the HRA, the earmarked reserves held by the Council increased by £510,000 in 2019/20. This included contributions to the Employee Changes and Strategic Budget Reserves that will benefit the Council in the medium term and will serve to improve the Council's overall financial resilience. The Council Fund Balance at 31 March 2020 is £14.255 million. The Section 151 Officer has reviewed this and considers the balance prudent given the unbudgeted risks that the Council faces, albeit that position will be reviewed as part of the 2020/21 budget preparation and in light of the ongoing COVID 19 crisis.
75. The Capital Programme Outturn for 2019/20 highlights that £62.726 million of slippage into 2019/20 was incurred, including that in relation to public housing. This represents increased slippage in comparison to figures reported during the year. Directorates are regularly reminded of the need to set achievable profiles and identify slippage accurately at an early stage. Whilst unavoidable in some instances, the resources that need to be in place before a scheme can progress needs to be considered at an early stage.
76. General Fund Capital expenditure in 2019/20 required £69.475 million of unsupported borrowing, of which £67.124 million related to funding required to be repaid by savings against revenue budgets or income generation. As highlighted regularly in a variety of reports, consideration needs to be given to the medium and long-term impact of additional borrowing on the Council's

revenue budget. Accordingly, local affordability and other indicators will be continually reviewed and monitored to ensure investment is prioritised and the impact of increased levels of debt is sustainable and affordable.

RECOMMENDATIONS

The Cabinet is recommended to:

- (1) Approve the report and the actions taken in respect of the Council's accounts for 2019/20.
- (2) Note that this report will form an Appendix to the Financial Statements report to be considered at a Council meeting in the autumn of 2020.

SENIOR RESPONSIBLE OFFICER	CHRISTOPHER LEE Corporate Director Resources
	10 July 2020

The following Appendices are attached:

- Appendix 1 - Revenue 2019/20
- Appendix 2 - Directorate Variances
- Appendix 3 - Budget Savings 2019/20
- Appendix 4 - Housing Revenue Account 2019/20
- Appendix 5 - Capital Scheme Updates
- Appendix 6 - Capital Programme 2019/20